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Cost of Foreign Arms Program Worries Congress

WASHINGTON—In devising foreign policy programs since the end of World War II, the Truman administration has borne in mind Congressional reluctance to appropriate large sums of money by reducing its requests below amounts which some officials thought desirable. It has never refrained, however, from advocating a policy because of the cost it would entail. In 1945-46 the State Department asked Congress to approve a loan of \$3.75 billion to Britain whereas the British government sought from \$5 billion to \$6 billion. When Europeans in the summer of 1947 calculated that from \$22 billion to \$30 billion would finance the Marshall plan satisfactorily, the Administration cut the estimate to a figure of \$17 to \$20 billion in the belief that Congress would never appropriate the larger sum.

As a result of this discreet practice the Administration has received all it has asked for during the past four years, despite objections of Congressional economy blocs, whose members have opposed certain aspects of American foreign policy on the grounds of expense. Supporters of the Administration, who proved their strength last June in the controversy over Marshall plan appropriations, have consistently defeated the economy bloc. This bloc, however, has recently grown in membership until the Administration is doubtful whether Congress will approve the legislation now being prepared by the Military Establishment that would authorize the President to distribute arms to our partners in the North Atlantic pact. The outcome of the foreign arms issue will depend on whether Congress decides that the public is ready to accept the possibility of an in-

crease in Federal taxes to carry on the program of containing the Soviet Union.

The effectiveness of the pact hinges on the foreign arms issue, but some Senators who are willing to vote for the pact, which in itself commits the United States to spend no money, are opposed to the arms program because of its expense. Article 3 of the pact, which President Truman submitted to the Senate on April 12, implies the need for an arms program: "In order more effectively to achieve the objectives of this Treaty, the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack."

Foreign Affairs Finance

President Truman indicated vaguely in his budget message for the coming fiscal year that he would ask Congress for authority and funds to distribute arms to our friends overseas. His words at the time left the impression in some quarters that he meant to finance the program out of the regular military budget. But since the State Department announced two weeks ago that our prospective treaty partners had reported they needed \$2 billion worth of arms, President Truman has implied that he favors financing the program by a grant outside the regular military appropriation. The sum which Administration officials at the moment intend to ask for is \$1.8 billion. They have arrived at this figure by following the same discreet policy which led to reduction of requests for the British loan and the Marshall plan—that is, they are asking for what they think they can get rather

than for what they think they need. Before the signing of the Atlantic pact, the Administration hoped that it could delay discussion of the arms program until the current Marshall plan appropriation and the pact itself were safely through Congress. But if Congress remains in its present mood, hearings and debate on the pact will turn on the issue of military assistance.

The Administration has reasons for confidence that it can defeat the economy bloc on the arms program. First, the President can remind the public that his budget message proposed \$4 billion in new taxes. Although he had in mind the use of that sum to retire part of the national debt, he can claim to have been forehanded in trying to prepare the country to meet expenditures regarded as necessary. The Administration case for higher taxes is strengthened by the fact that Congress reduced taxes last year. An increase now would restore, roughly, the situation of 1947. Second, Congress itself has been willing in certain instances to spend more than the President requested. The House on April 13 passed by 271 to 1 a bill authorizing the appropriation of \$15,909,116,800 for the Military Establishment in the coming fiscal year—\$630,735,100 more than President Truman had requested in his budget. The increase resulted from the Representatives' determination to expand the Air Force, for which they authorized \$786,822,000 beyond the President's request. They tempered this increase, which would make possible the maintenance of 58 combat air groups next year, by cutting \$120 million from the Navy and \$214 million from the Army.

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ELECTRONIC REPRODUCTION PROHIBITED

In the third place, the Administration has defeated the one major effort of the economy bloc this year to reduce foreign expenditures. The House on April 14 authorized the appropriation of \$5.43 billion for the Marshall plan in 1949-50—the amount which the Administration requested and the Senate had approved a week earlier. Senator Robert A. Taft, Republican, of Ohio, vainly offered an amendment reducing the authorization by 10 per cent. He has said that he will resume his campaign when the Marshall plan appropriation bill comes before the Senate, but the Administration has gained strength from its victory in the contest over the authorization.

Economy Arguments

The principal danger to the Administration's prospects for winning Congressional approval of the arms aid bill comes from the fact that the economy bloc has Democratic as well as Republican members. A leading opponent of the program supplementing the Atlantic pact is Senator Walter F. George, Democrat, of Georgia, chairman of the Finance Committee which prepares the tax bills, and a member of the Foreign Relations Committee. He cast

a shadow on the future of the Administration's foreign policy on April 15 when, in advocating a reduction in appropriations, he said: "The acid test . . . will come on our appropriations for foreign spending—the Economic Co-operation Administration, the Atlantic Pact and similar measures. Nobody can expect members of Congress to cut down on our domestic programs unless we first make a reduction in foreign spending. If we are going to pare down anywhere, we must start there."

Former President Herbert Hoover on April 11 introduced a new factor when he testified before the Senate Armed Forces Committee that, by reforming their accounting methods and other administrative practices, the Military Establishment could save \$1.5 billion a year, a sum just \$300 million less than the amount which the Administration wants as the initial authorization for the arms program. Mr. Hoover spoke with authority as the chairman of the Commission on Organization of the Executive Branch of the Government, for which Ferdinand Eberstadt, once deputy director of the War Production Board, has prepared a study stating that "padding has been a fairly general

practice" in the preparation of the military budget. Another source of danger to the Administration's foreign policy is the effort of a Republican group in Congress, under the leadership of Senators Kenneth S. Wherry of Nebraska, minority leader, and H. Styles Bridges of New Hampshire, chairman of the Appropriations Committee, to make a party issue of government spending in general. "The President's spendthrift budget of last January apparently was just a starter in the Administration's effort to buy continued prosperity by heavy Federal expenditures," Senator Wherry said on April 14. "It is our purpose to comb closely . . . the authorization for continuing the Economic Co-operation Administration in the light of falling prices of commodities since the amount was decided upon by the Administration last November." The American public, however, has encouraged and accepted larger and larger Federal budgets ever since President Roosevelt took office in March 1933, and it is possible that economy-minded Congressmen may prove unable to make the substantial reductions of expenditures contemplated in the President's foreign program.

BLAIR BOLLES

Trade Unions Seek Active Role In German Economy

FRANKFORT—In the economic field the most discussed question about Germany is: What effect will German recovery have on Europe and the world? Is the United States, by its economic aid to Germany, creating a boon or a Frankenstein for the rest of mankind?

That Germany is recovering there is no doubt. Although recovery was under way before the currency reform, goods were being hoarded, and increased production was making no impact on living conditions. With the restoration of confidence in currency, goods were brought out from under the counter, new incentives were given to produce more, and the pace of output quickened. Shop windows that were bare nine months ago now display many wares, from shoes to household utensils, from women's clothes to toys. Prices, however, remain high. Therefore the average worker—while undoubtedly finding in a stable currency added incentive to work—experiences as yet little improvement in real wages and living standards. At the same time those who have money to spare may buy whatever they can afford. As a result, the enforced

economic equality created during the early postwar years by shortages of goods has been replaced by glaring inequalities that generate social tensions. There is increasing talk among the trade unions, which according to American observers have hitherto shown a remarkable degree of self-control and social responsibility, about the need for wage increases of from 20 to 30 per cent, and there is talk of strikes. Employers, for their part, contend that it is time "to put the workers in their place" and are apt to get a sympathetic hearing on this score from Military Government.

A Truncated Economy

As a result of postwar territorial and political developments, Western Germany, comprising the American, British and French zones of occupation, has over half of Germany's prewar population, less than half of the arable land, three-quarters of its hard coal production, and about one-third of its brown coal production. It must import 50 per cent of its food requirements, as well as many essential raw materials for its industries. To pay for these imports it must increase its exports of manufactured goods above the prewar

level. As long as Germany continues to obtain the bulk of its food and raw materials from the United States, it will have to sell its exports for dollars. That is, it will have to sell in the United States, which before 1939 took on the average only 4 per cent of Germany's exports.

If Germany, by the end of the Marshall plan in 1952, is to be more or less independent of American aid, it must find other sources of food and raw materials and other markets for its products—presumably in Western Europe, in Eastern Europe and the Balkans (which before 1939 took 12 to 16 per cent of German exports), and in Latin America. In Eastern Europe prewar German exports did not compete to any great extent with American and British exports. At present, however, the opposition of the United States to Western European exports that might strengthen the war potential of Russia and its neighbors has proved a brake on the development of German exports in that direction. In Latin America German exports in the future, as in the past, will compete with comparable products of American and British manufacture. The

United States therefore finds itself in the paradoxical position of fostering German exports as much as possible and, at the same time, of fearing that these exports will ultimately curtail outlets for its own products. This is even more true of Britain whose slogan is "export or die."

Recovery for Peace—Or War?

If the United States and Britain fear Germany's economic competition, the countries of Western Europe, in addition, fear that the recovery of German industries may spell new military danger in the future. The dilemma of France and other Western nations is that they need many of the "hard" goods produced by Germany, as well as spare parts for German machinery acquired before the war, and therefore welcome a rise in German output; but at the same time they wonder what ultimate use the Germans will make of their rehabilitated industrial system.

All these questions are coming to the fore now that the industrial production of Western Germany has reached 80 per cent of the 1936 level. Coal production is averaging 330,000 tons a day, with 20.8 per cent of the output assigned for export under the sliding scale adopted at the Moscow Conference of Foreign Ministers in 1947. The French would like to see this export percentage raised as coal production increases—a demand resisted by the United States on the ground that recovering German industry needs more coal. Ingot steel production has risen from the annual rate of 4.7 million tons in April 1948 to a level of over 9 million tons currently. Assuming that Germany can solve its coal and electric power problems and secure the necessary imports of high grade iron ore, the ceiling production of 10.7 million tons of steel set by the Allies appears to be within reach in a year or less. Should Western Germany then be permitted to exceed this ceiling and go up to 13 million tons, as proposed by some ECA spokesmen?

The answer to this question depends on the amount of industrial capacity to be left in Germany. The three Western powers have been discussing this issue in London and Washington—the French concerned about security, the British about German competition, and the United States about the burden for the American taxpayer who has been footing the bill for German imports of food and raw materials. On April 13 an agreement was reached in

Washington providing for the retention in Western Germany of 159 industrial units previously marked for dismantlement and removal as reparations payments. This agreement, based on the Humphrey report, represented a substantial concession to the United States by the two other occupation powers. But there are further issues to be resolved before the future of German industry is clear. Who, for instance, is to own and control this restored productive capacity?

It is at this point that the German trade unions come in to urge reorganization of industry in a way which, according to them, would assure both high industrial output and the security of Germany's neighbors. Instead of returning the coal mines and steel mills of the Ruhr to their prewar owners or to trustees representing owners' interests, trade union leaders propose "codetermination" of the country's economic policy, with the participation of workers' representatives, and socialization of coal and steel. Under their program the coal and steel industries would be operated not directly by the state, but by boards of administration on which all interests concerned would be represented.

Status Quo or Change?

To the argument of Military Government that the "know-how" of former owners is needed for the efficient administration of industries, the trade unions reply that they knew about the "managerial revolution" before James Burnham popularized it, and that prewar German plants had been operated not by owners but by appointed managers, who would be retained as employees of the state under the scheme they propose. The trade unions then hope to establish friendly co-operation with Germany's neighbors, and are willing to accept such controls as those which are to be exercised by the International Ruhr Authority—provided this body is but a forerunner of comparable international authorities controlling Europe's other strategic resources.

When the trade union leaders are told by Military Government spokesmen that the United States cannot support their position because it wants to be neutral on this issue, the union leaders argue that, far from being neutral, the American Military Government has tried to dissuade the British from backing socialization of the Ruhr. Under Germany's conditions of great industrial concentration, they say,

there are two alternatives: (1) industry will be controlled by a few owners who will then, in turn, control the political machine, or, as under nazism, allow themselves to be used by it; or (2) industry, like the political institutions of democracy, must be made accountable to the entire body of citizens. If the prewar industrial *status quo* is maintained, the union leaders believe that the workers, no matter how much they now fear Russia and communism, will move to the extreme left. At the same time, the possibility cannot be excluded that the Ruhr magnates, once restored to power, might make a deal with Russia. The Germans still remember that the Rapallo treaty of 1922 and the Russo-German nonaggression pact of 1939 were concluded with the Kremlin not by Communists or Socialists, but by the industrial wizard, Walther Rathenau, and by Nazis who came to power with the support of Thyssen and Stinnes. The feelers recently put out by Rudolf Nadolny, former German Ambassador to Russia, among prominent political and business leaders in Western Germany, are of significance in this connection. So are the activities of the Nauheim Circle, headed by Dr. Ulrich Noack, which proposes the withdrawal of the occupying powers and the creation of a neutral Germany as a buffer between East and West.

In a recent conversation an Eastern European diplomat said: "The United States can defeat communism only in one way: by adopting fascism." This may be mere Marxian dialectics, but in both Eastern and Western Europe, where the memory of the Nazi pattern is still fresh, the question is often raised whether capitalism leads to fascism. The German trade unions, and others in Europe, believe that socialism provides another alternative. Whatever Americans may think on this score, the fact remains that United States foreign policy must take into consideration the political beliefs of Europeans. We are thus confronted with the dilemma of supporting, as an alternative to communism, European Socialists who have plans and projects which many of our people would vigorously oppose in this country. On our decision about European socialism may hinge the outcome of the whole conflict between East and West.

VERA MICHELES DEAN

(The last in a series of three articles on current trends in Germany.)

FPA Bookshelf

Europe Seeks Unity, by Richard N. Coudenhove-Kalergi. New York, Institute of Public Affairs and Regional Studies, New York University, 1948. \$50

One of the chief proponents of European union, now Secretary-General of the European Parliamentary Union, gives in concise form a history of the movement, the chief constitutional issues, and the text of the Interlaken plan.

The Power of Freedom, by Max Ascoli. New York, Farrar, Strauss, 1949. \$2.75

Writing with thoughtfulness and skill, a political scientist, well-known for his consistently anti-Fascist view, gives a penetrating analysis of democracy's strong points and of the further advances it must and can make to check communism.

In Anger and Pity, by Robert Magidoff. New York, Doubleday, 1949. \$2.95

The former NBC representative in Moscow, expelled by the Soviet government in the spring of 1948 as an alleged spy, gives his first-hand impressions of life in the U.S.S.R., some deeply poignant, others not devoid of humor. Mr. Magidoff has a storyteller's gift for painting vignettes of many kinds of people.

Living With Crisis: the Battle Against Depression and War, by Fritz Sternberg. New York, John Day, 1949. \$2.50

A prescription for overcoming the present world crisis by a well-known writer and lecturer. After a preliminary analysis of the potential economic crisis in the United States, the author turns his attention to the transformation taking place in Europe and the character of Russian expansion. He concludes with a program for the United States which, he feels, should support European unification on a socialistic basis.

The Embers Still Burn, by Ira A. Hirschmann. New York, Simon and Schuster, 1949. \$3.00

An indictment of "our disastrous get-soft-with-Germany-policy," our treatment of UNRRA and the DP problem, and the "brash blunder of the Truman Doctrine," by a businessman, teacher, author, FM-radio pioneer, and one-time special inspector general for UNRRA, who points to the still-glowing embers of fascism, which, he thinks, may light the fires of a third world war.

The United States and Foreign Investment Problems, by Cleona Lewis. Washington, Brookings Institution, 1948. \$4.00

A comprehensive and clearly presented analysis of the international investment situation, including changes in the debtor-creditor position of individual countries, opportunities offered by underdeveloped areas, and government policies, both American and foreign, which bear on the problem.

European Ideologies: A Survey of 20th Century Political Ideas. Edited by Feliks G. Gross, with an introduction by Robert M. MacIver. New York, Philosophical Library, 1948. \$12.00

A useful, although uneven, collection of essays on such subjects as anarchism, communism, socialism, liberalism, nationalism and so on. This book provides a much-needed historical perspective on current political, economic and social developments in Europe.

A History of Norway, by Karen Larsen. Princeton, Princeton University Press for American-Scandinavian Foundation, 1948. \$6.00

Dr. Larsen, Professor of History of Saint Olaf College, has written an excellent and readable history of Norway from the Iron Age to the liberation of Norway from German occupation in 1945.

American Opinion on World Affairs in the Atomic Age, by Leonard S. Cottrell, Jr. and Sylvia Eberhart. Princeton, Princeton University Press, 1948. \$2.50

This study, based on a report prepared in 1946 by the Committee on Social and Economic Aspects of Atomic Energy of the Social Science Research Council, finds Americans appallingly un-informed on international relations.

Wondering Scholar, by M. J. Bonn. New York, John Day, 1948. \$5.00

The autobiography of this traveler, teacher, expert counselor and administrator covers his activities in America, Europe, and Africa. His "detached" observations of the political and social scenes of his time make interesting reading.

The Unknown Warriors, a Personal Account of the French Resistance, by Guillaime de Benouville. New York, Simon and Schuster, 1949. \$3.50

Surpassing in excitement, human interest and readability many products of fiction writers, this record of the French Forces of the Interior as seen by one of its leaders will take its place as an important document of the war period.

Iran: Past and Present, by Donald C. Wilber. Princeton, Princeton University Press, 1948. \$3.00

A useful, up-to-date handbook on Iran by an author who has spent fifteen years in the Middle East and has participated in several archeological expeditions to Iran. Mr. Wilber surveys Iranian history, natural resources, trade and commerce, as well as its government and people.

Arabian Oil: America's Stake in the Middle East, by Raymond C. Mikesell and Hollis B. Chenery. Chapel Hill, N. C., University of North Carolina Press, 1949. \$3.50

An objective study of American petroleum interests in the Middle East since the 1930's and their relationship to American foreign policy. Mr. Mikesell, professor of economics at the University of Virginia, served as government consultant on Middle Eastern Affairs during the war, and Mr. Chenery is a petroleum engineer.

Branch & Affiliate Meetings

ALBANY, April 28; *Student Institute, World Security for Tomorrow's Citizens*, Rt. Rev. Joseph E. Johnson

ALBANY, May 5; *Our Stake in the United Nations*, George V. Allen

*CLEVELAND, May 5, *In the Minds of Men*, T. V. Smith

*Data taken from printed announcement

News in the Making

The departure of *Georgi Dimitrov, Bulgaria's Communist Premier*, for Russia on sick leave means the end of his official tenure, according to Michael J. McDermott, State Department press relations officer. Dimitrov's retirement follows the ouster of Traicho Kostov, second man in the Bulgarian Politburo, probably deposed because he was not considered a suitable successor. Vassil Kolarov, Deputy Premier and Foreign Minister, has taken over Dimitrov's duties. . . . A routine Communist victory was predicted for the *Hungarian elections May 15*. Communist party candidates have been assigned 60 per cent of the places on the common list, while the Smallholders party, victors in the 1945 elections, have been reduced to 18 per cent of the candidacies. . . . A renewed drive for the *internationalization of Jerusalem* was expected after the Pope's encyclical of April 15 reiterated the Holy See's concern for guarantees of Christian religious rights in Palestine. Some observers attributed the General Assembly's delay in approving Israel's application for UN membership to the Jerusalem question. . . . An FAO survey envisages the harnessing of the *natural gas of the Saudi Arabian oil fields* for the manufacture of chemical fertilizers. The gas, now burned as waste, is said to be capable of producing economically 800,000 tons of high-grade fertilizers annually, nearly closing the gap between current production and estimated world needs. . . . Denmark, Norway and Sweden notified participants of the international trade conference at Annecy, France, on April 13 of their intention to establish a *common Scandinavian tariff*, possibly leading to a customs union. . . . The executive committee of the Labor party on April 12 issued the program "Labor Believes in Britain," on which it will fight the *British general election* next year. This program, mild in comparison with the one now being carried out, calls for public ownership of the cement industry, sugar refining and manufacture, industrial insurance, "all suitable mineral deposits," and "any appropriate sections" of the chemical industry.

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